

WINTERSET COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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Winterset Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 election)</b>		
Randy Snyder	President	2007
Jeff Nicholl	Vice President	2006
Chad Emanuel	Board Member	2008
Shane Pashek	Board Member	2008
Gretchen Holcomb	Board Member	2007
<b>Board of Education (After September 2006 election)</b>		
Shane Pashek	President	2008
Jeff Nicholl	Vice President	2009
Chad Emanuel	Board Member	2008
Randy Snyder	Board Member	2007
Gretchen Holcomb	Board Member	2007
<b>School Officials</b>		
Dr. Doyle F. Scott	Superintendent	2007
Ben M. Applegate	Business Manager/Board Secretary	2007
Ahlers Law Firm	Attorney	2007

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District, Winterset, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Winterset Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2008 on our consideration of the Winterset Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Winterset Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*

NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Winterset Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,408,513 in fiscal year 2006 to \$13,054,649 in fiscal year 2007, while General Fund expenditures increased from \$12,365,023 in fiscal 2006 to \$13,435,249 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$917,752 in fiscal 2006 to \$557,080 in fiscal 2007, a 39.3% decrease from prior year.
- The increase in General fund revenues was attributed to an increase in property tax and state grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits.
- Overall, the District increased in net assets in the governmental activities \$1,225,099 and decreased in the business-type activities \$82, respectively.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winterset Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Winterset Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winterset Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Winterset Community School District Annual Financial Report**

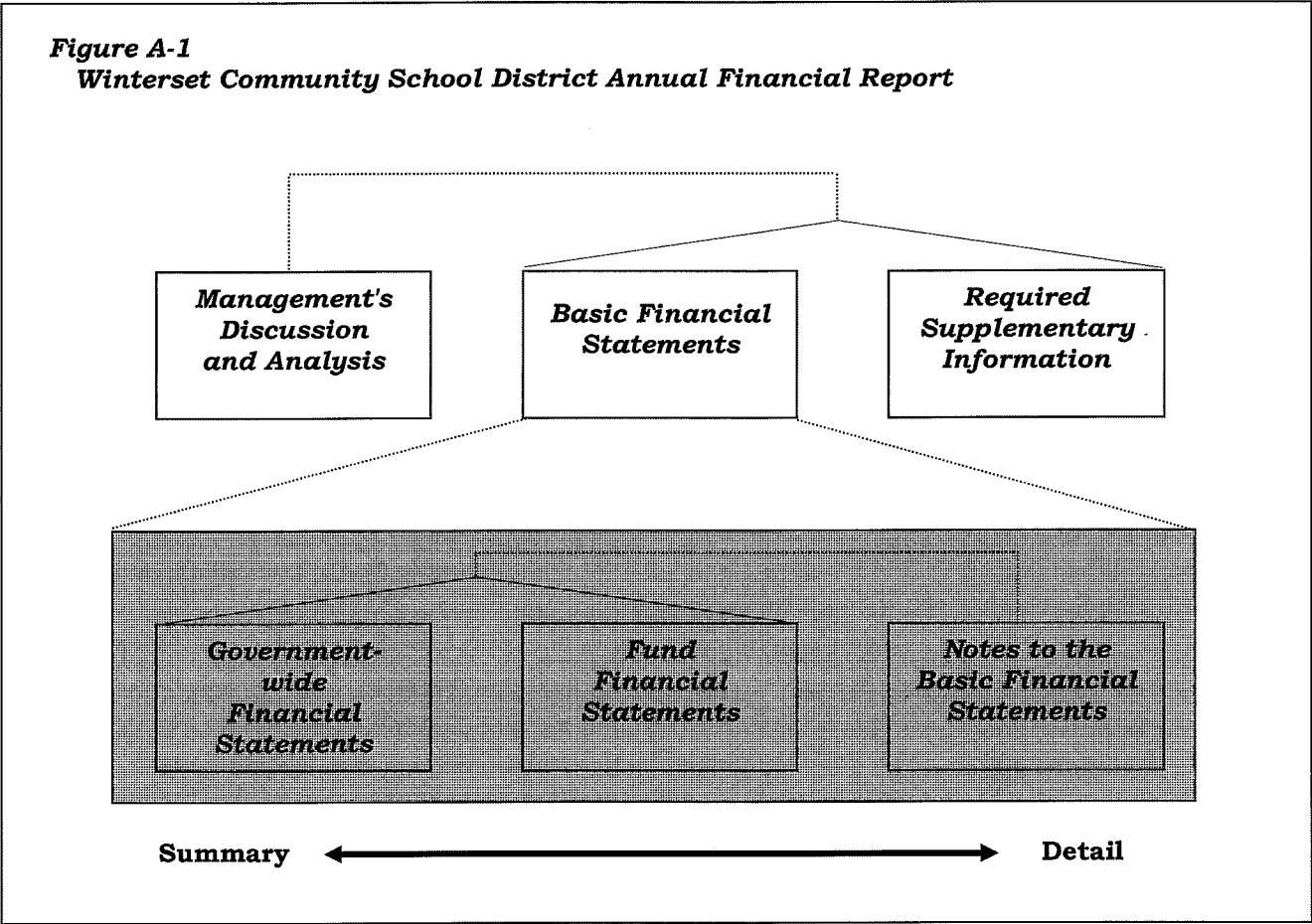


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to



measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 8,760,426	8,813,310	100,978	96,800	8,861,404	8,910,110	-0.55%
Capital assets	8,438,091	8,150,698	26,489	31,776	8,464,580	8,182,474	3.45%
Total assets	17,198,517	16,964,008	127,467	128,576	17,325,984	17,092,584	1.37%
Long-term obligations	2,259,841	3,197,415	0	0	2,259,841	3,197,415	-29.32%
Other liabilities	6,003,575	6,056,591	8,337	9,364	6,011,912	6,065,955	-0.89%
Total liabilities	8,263,416	9,254,006	8,337	9,364	8,271,753	9,263,370	-10.70%
Net assets:							
Invested in capital assets, net of related debt	6,398,091	6,634,459	26,489	31,776	6,424,580	6,666,235	-3.63%
Restricted	1,940,556	171,171	0	0	1,940,556	171,171	1033.69%
Unrestricted	596,454	904,372	92,641	87,436	689,095	991,808	-30.52%
Total net assets	\$ 8,935,101	7,710,002	119,130	119,212	9,054,231	7,829,214	15.65%

The District's combined net assets increased by 15.65%, or \$1,225,017, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,769,385, or 1033.69% over the prior year. The increase was primarily a result of the reclassifying of the Capital Projects fund balance from the invested in capital assets, net of related debt to restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$302,713, or 30.52%. This decrease in unrestricted net assets was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 872,483	787,854	385,355	361,913	1,257,838	1,149,767	9.40%
Operating grants and contributions and restricted interest	1,531,421	1,380,843	249,912	225,724	1,781,333	1,606,567	10.88%
Capital grants and contributions and restricted interest	0	14,722	0	0	0	14,722	-100.00%
General revenues:							
Local tax	5,339,199	5,045,219	0	0	5,339,199	5,045,219	5.83%
Local option sales and services tax	967,173	790,155	0	0	967,173	790,155	22.40%
Unrestricted state grants	6,972,697	6,773,893	0	0	6,972,697	6,773,893	2.93%
Other	129,818	85,652	2,855	3,732	132,673	89,384	48.43%
Transfers	11,151	0	0	0	11,151	0	100.00%
Total revenues and transfers	15,823,942	14,878,338	638,122	591,369	16,462,064	15,469,707	6.41%
Program expenses:							
Governmental activities:							
Instruction	9,190,694	8,747,795	0	0	9,190,694	8,747,795	5.06%
Support services	4,190,222	4,181,085	0	0	4,190,222	4,181,085	0.22%
Non-instructional programs	8,796	11,651	638,204	601,556	647,000	613,207	5.51%
Other expenditures	1,209,131	1,029,158	0	0	1,209,131	1,029,158	17.49%
Total expenses	14,598,843	13,969,689	638,204	601,556	15,237,047	14,571,245	4.57%
Changes in net assets	1,225,099	908,649	(82)	(10,187)	1,225,017	898,462	36.35%
Beginning net assets	7,710,002	6,801,353	119,212	129,399	7,829,214	6,930,752	12.96%
Ending net assets	\$ 8,935,101	7,710,002	119,130	119,212	9,054,231	7,829,214	15.65%

In fiscal 2007, local tax, local option sales and services tax and unrestricted state grants account for 83.92% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.55% of the revenue from business-type activities.

The District's total revenues were \$16,462,064 of which \$15,823,942 was for governmental activities and \$638,122 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 6.41% increase in revenues and a 4.57% increase in expenses. Local tax increased by \$293,980 to fund increases in expenditures. The increases in expenses were related to increases in negotiated salary and benefits.

## Governmental Activities

Revenues for governmental activities were \$15,823,942 and expenses were \$14,598,843.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 9,190,694	8,747,795	5.06%	7,309,225	7,070,342	3.38%
Support services	4,190,222	4,181,085	0.22%	4,190,222	4,178,630	0.28%
Non-instructional programs	8,796	11,651	-24.50%	8,796	11,651	-24.50%
Other expenses	1,209,131	1,029,158	17.49%	686,696	525,647	30.64%
Totals	<u>\$ 14,598,843</u>	<u>13,969,689</u>	<u>4.50%</u>	<u>12,194,939</u>	<u>11,786,270</u>	<u>3.47%</u>

- The cost financed by users of the District's programs was \$872,483.
- Federal and state governments subsidized certain programs with grants and capital contributions totaling \$1,531,421.
- The net cost of governmental activities was financed with \$5,339,199 in local tax, \$967,173 in local option sales and services tax, \$6,972,697 in unrestricted state grants, \$104,444 in interest income and \$25,374 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$638,122 and expenses were \$638,204. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Winterset Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,527,934, compared to last year's ending fund balances of \$2,538,192. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to the decrease in the General fund balance.

## Governmental Fund Highlights

- The District's decrease in its General Fund financial position from \$917,752 in fiscal 2006 to \$557,080 in fiscal 2007 is the product of many factors. Revenues increased due to increases in property taxes and state aid. The District's increase in General Fund expenditures was primarily due to increased salary and benefit costs.
- The Capital Projects Fund balance increased from \$900,521 in fiscal 2006 to \$1,176,723 in fiscal 2007 due to the District receiving more in local option sales and services tax than in the past year.

- The Management Levy Fund balance increased from \$47,469 in fiscal 2006 to \$53,744 in fiscal 2007 due to the increase property taxes. The Management Levy Fund expenditures include early retirement benefits, property and liability insurance coverage, worker's compensation insurance and unemployment benefits. The District levies for retirement benefits the budget year following the expense.
- The Student Activity Fund balance increased from \$153,887 in fiscal 2006 to \$164,712 in fiscal 2007 due to the variance of student activities from year to year.
- The Physical Plant and Equipment Levy Fund balance increased from \$334,421 in fiscal 2006 to \$367,397 in fiscal 2007 due to increased revenues in property tax. The District follows a five-year capital improvement plan that is reviewed annually.
- The Debt Service Fund balance increased from \$184,142 to \$196,903 due to normal operations of paying debt principal and interest.

### **Proprietary Fund Highlights**

The Proprietary Fund net assets decreased from \$119,212 at June 30, 2006, to \$119,130 at June 30, 2007, representing a decrease of less than 1%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$287,836 more than budgeted revenues, a variance of 1.8%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were more than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional, support services and non-instructional functions due to the account code changes for expenditures. The Department of Education required the District to upload the certified annual report at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2007, the District had invested \$8.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.45% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$421,094.

The original cost of the District's capital assets was \$15.9 million. Governmental funds account for \$15.6 million with the remainder of \$0.3 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$519,274 at June 30, 2007,

compared to \$286,021 reported at June 30, 2006. This increase resulted from the purchases made during the current year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 318,535	318,535	0	0	318,535	318,535	0.00%
Buildings	7,139,671	7,045,052	0	0	7,139,671	7,045,052	1.34%
Land improvements	487,100	532,866	0	0	487,100	532,866	-8.59%
Machinery and equipment	492,785	254,245	26,489	31,776	519,274	286,021	81.55%
Total	\$ 8,438,091	8,150,698	26,489	31,776	8,464,580	8,182,474	3.45%

### Long-Term Debt

At June 30, 2007, the District had \$2,259,841 in general obligation and other long-term debt outstanding. This represents a decrease of 29.32% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds of \$2,040,000 at June 30, 2007.

The District had outstanding Early Retirement benefits of \$219,841 payable from the Special Revenue, Management Fund at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 2,040,000	2,555,000	-20.16%
Capital loan notes	0	360,000	-100.00%
Early retirement	219,841	282,415	-22.16%
Totals	\$ 2,259,841	3,197,415	-29.32%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District has experienced steady to slightly increasing enrollment for the past six years. The District expects continued increases in enrollment due to housing development in the city of Winterset and Madison County.
- Every year the District negotiates new agreements with the Winterset Community Education Association (WCEA) for teachers and the Winterset Educational Support Employees Association (WESEA) for support personnel. Any settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ben M. Applegate, Board Secretary/Treasurer and Chief Financial Officer, Winterset Community School District, 224 E. Hwy 92, Suite 3, PO Box 30, Winterset, Iowa, 50273-0030.

## BASIC FINANCIAL STATEMENTS



WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,090,419	71,706	3,162,125
Receivables:			
Property tax:			
Delinquent	90,283	0	90,283
Succeeding year	4,663,193	0	4,663,193
Income surtax	244,500	0	244,500
Interfund	55,000	0	55,000
Accounts	7,213	14,553	21,766
Due from other governments	609,818	0	609,818
Inventories	0	14,719	14,719
Capital assets, net of accumulated depreciation (Note 5)	8,438,091	26,489	8,464,580
<b>Total Assets</b>	<b>17,198,517</b>	<b>127,467</b>	<b>17,325,984</b>
<b>Liabilities</b>			
Accounts payable	183,406	0	183,406
Salaries and benefits payable	1,141,393	8,337	1,149,730
Interest payable	15,583	0	15,583
Deferred revenue:			
Succeeding year property tax	4,663,193	0	4,663,193
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	545,000	0	545,000
Early retirement payable	54,851	0	54,851
Portion due after one year:			
Bonds payable	1,495,000	0	1,495,000
Early retirement payable	164,990	0	164,990
<b>Total Liabilities</b>	<b>8,263,416</b>	<b>8,337</b>	<b>8,271,753</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,398,091	26,489	6,424,580
Restricted for:			
Beginning teacher mentoring program	4,109	0	4,109
Salary improvement program	74	0	74
Market factor	8,625	0	8,625
Early intervention	10,638	0	10,638
Debt service	196,903	0	196,903
Capital projects	1,176,723	0	1,176,723
Physical plant and equipment levy	367,397	0	367,397
Other special revenue purposes	176,087	0	176,087
Unrestricted	596,454	92,641	689,095
<b>Total Net Assets</b>	<b>\$ 8,935,101</b>	<b>119,130</b>	<b>9,054,231</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 5,464,296	446,102	914,717	(4,103,477)	0
Special instruction	2,676,140	129,596	94,269	(2,452,275)	0
Other instruction	1,050,258	296,785	0	(753,473)	0
	<u>9,190,694</u>	<u>872,483</u>	<u>1,008,986</u>	<u>(7,309,225)</u>	<u>0</u>
Support services:					
Student services	404,541	0	0	(404,541)	0
Instructional staff services	679,250	0	0	(679,250)	0
Administration services	1,192,107	0	0	(1,192,107)	0
Operation and maintenance of plant services	1,251,099	0	0	(1,251,099)	0
Transportation services	663,225	0	0	(663,225)	0
	<u>4,190,222</u>	<u>0</u>	<u>0</u>	<u>(4,190,222)</u>	<u>0</u>
Non-instructional programs:					
Food service operations	8,796	0	0	(8,796)	0
Other expenditures:					
Facilities acquisitions	285,359	0	0	(285,359)	0
Long-term debt interest	123,370	0	0	(123,370)	0
AEA flowthrough	522,435	0	522,435	0	0
Depreciation(unallocated)*	277,967	0	0	(277,967)	0
	<u>1,209,131</u>	<u>0</u>	<u>522,435</u>	<u>(686,696)</u>	<u>0</u>
Total governmental activities	14,598,843	872,483	1,531,421	(12,194,939)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	638,204	385,355	249,912	0	(2,937)
Total business-type activities	<u>638,204</u>	<u>385,355</u>	<u>249,912</u>	<u>0</u>	<u>(2,937)</u>
Total	<u>\$ 15,237,047</u>	<u>1,257,838</u>	<u>1,781,333</u>	<u>(12,194,939)</u>	<u>(2,937)</u>
General Revenues and Transfers:					
General Revenues:					
Local tax for:					
General purposes				\$ 4,235,499	0
Debt service				555,795	0
Capital outlay				547,905	0
Local option sales and services tax				967,173	0
Unrestricted state grants				6,972,697	0
Unrestricted investment earnings				104,444	2,855
Other general revenues				25,374	0
Transfers				11,151	0
Total general revenues and transfers				<u>13,420,038</u>	<u>2,855</u>
Changes in net assets				1,225,099	(82)
Net assets beginning of year				7,710,002	119,212
Net assets end of year				<u>\$ 8,935,101</u>	<u>119,130</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments:	\$ 1,536,677	775,902	363,157	414,683	3,090,419
Receivables:					
Property tax:					
Delinquent	64,866	0	9,938	15,479	90,283
Succeeding year	3,665,055	0	110,643	887,495	4,663,193
Income surtax	244,500	0	0	0	244,500
Interfund	55,281	0	0	340	55,621
Accounts	3,746	0	0	3,467	7,213
Due from other governments	174,980	434,783	21	34	609,818
<b>Total Assets</b>	<b>\$ 5,745,105</b>	<b>1,210,685</b>	<b>483,759</b>	<b>1,321,498</b>	<b>8,761,047</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 340	0	0	281	621
Accounts payable	136,937	33,962	5,719	6,788	183,406
Salaries and benefits payable	1,141,193	0	0	200	1,141,393
Deferred revenue:					
Succeeding year property tax	3,665,055	0	110,643	887,495	4,663,193
Income surtax	244,500	0	0	0	244,500
Total liabilities	5,188,025	33,962	116,362	894,764	6,233,113
Fund balances:					
Reserved for:					
Debt service	0	0	0	196,903	196,903
Beginning teacher mentoring program	4,109	0	0	0	4,109
Salary improvement program	74	0	0	0	74
Market factor	8,625	0	0	0	8,625
Early intervention	10,638	0	0	0	10,638
Unreserved	533,634	1,176,723	367,397	229,831	2,307,585
Total fund balances	557,080	1,176,723	367,397	426,734	2,527,934
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,745,105</b>	<b>1,210,685</b>	<b>483,759</b>	<b>1,321,498</b>	<b>8,761,047</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances of governmental funds (page 16) \$ 2,527,934

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in in the governmental funds. 8,438,091

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current fiscal period. 244,500

Accrued interest payable on long-term liabilities is  
not due and payable in the current period and, therefore,  
is not reported as a liability in the governmental funds. (15,583)

Long-term liabilities, including bonds payable and early  
retirement payable, are not due and payable in the  
current period, and, therefore, are not reported  
as liabilities in the governmental funds. (2,259,841)

Net assets of governmental activites (page 14) \$ 8,935,101

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
Revenue:					
Local sources:					
Local tax	\$ 3,929,563	967,173	547,905	856,081	6,300,722
Tuition	520,618	0	0	0	520,618
Other	115,898	27,188	20,469	332,814	496,369
Intermediate sources	18,010	0	0	0	18,010
State sources	8,159,975	0	332	530	8,160,837
Federal sources	310,585	0	0	0	310,585
Total revenues	13,054,649	994,361	568,706	1,189,425	15,807,141
Expenditures:					
Current:					
Instruction:					
Regular instruction	5,521,045	0	0	74,702	5,595,747
Special instruction	2,681,610	0	0	6,476	2,688,086
Other instruction	765,509	0	0	292,558	1,058,067
	8,968,164	0	0	373,736	9,341,900
Support services:					
Student services	408,186	0	0	1,103	409,289
Instructional staff services	680,091	0	0	789	680,880
Administration services	1,186,819	0	0	8,522	1,195,341
Operation and maintenance of plant services	1,122,997	0	0	176,562	1,299,559
Transportation services	546,557	193,655	0	34,777	774,989
	3,944,650	193,655	0	221,753	4,360,058
Non-instructional programs:					
Food service operations	0	0	0	8,796	8,796
Other expenditures:					
Facilities acquisitions	0	447,999	164,180	0	612,179
Long-term debt:					
Principal	0	0	0	875,000	875,000
Interest and fiscal charges	0	0	0	128,110	128,110
AEA flowthrough	522,435	0	0	0	522,435
	522,435	447,999	164,180	1,003,110	2,137,724
Total expenditures	13,435,249	641,654	164,180	1,607,395	15,848,478
Excess of revenues over expenditures	(380,600)	352,707	404,526	(417,970)	(41,337)
Other financing sources(uses):					
Transfer in	0	0	0	459,206	459,206
Transfer out	0	(76,505)	(371,550)	0	(448,055)
Sale of equipment	19,928	0	0	0	19,928
Total other financing sources(uses)	19,928	(76,505)	(371,550)	459,206	31,079
Net change in fund balances	(360,672)	276,202	32,976	41,236	(10,258)
Fund balance beginning of year	917,752	900,521	334,421	385,498	2,538,192
Fund balance end of year	\$ 557,080	1,176,723	367,397	426,734	2,527,934

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ (10,258)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	\$ 703,200	
Depreciation expense	<u>(415,807)</u>	287,393

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	5,650
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Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	875,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early Retirement	62,574

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	
	<u>4,740</u>

Changes in net assets of governmental activities (page 15)	<u><u>\$ 1,225,099</u></u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 71,706
Receivables:	
Accounts	14,553
Inventories	14,719
Capital assets, net of accumulated depreciation (Note 5)	<u>26,489</u>
<b>Total Assets</b>	<u>127,467</u>
<b>Liabilities</b>	
Salaries and benefits payable	<u>8,337</u>
<b>Net Assets</b>	
Invested in capital assets	26,489
Unrestricted	<u>92,641</u>
<b>Total Net Assets</b>	<u><u>\$ 119,130</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	<u>\$ 385,355</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	229,009
Benefits	67,872
Services	3,527
Supplies	332,509
Depreciation	5,287
Total operating expenses	<u>638,204</u>
Operating loss	<u>(252,849)</u>
Non-operating revenues:	
State sources	8,279
Federal sources	241,633
Interest income	2,855
Total non-operating revenues	<u>252,767</u>
Change in net assets	(82)
Net assets beginning of year	<u>119,212</u>
Net assets end of year	<u><u>\$ 119,130</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 373,929
Cash received from miscellaneous sources	265
Cash payments to employees for services	(290,863)
Cash payments to suppliers for goods or services	(312,816)
Net cash used in operating activities	<u>(229,485)</u>
Cash flows from non-capital financing activities:	
State grants received	8,279
Federal grants received	<u>219,542</u>
Net cash provided by non-capital financing activities	<u>227,821</u>
Cash flows from investing activities:	
Interest on investments	<u>2,855</u>
Net increase in cash and cash equivalents	1,191
Cash and cash equivalents at beginning of year	<u>70,515</u>
Cash and cash equivalents at end of year	<u><u>\$ 71,706</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (252,849)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	22,091
Depreciation	5,287
Decrease in inventories	1,656
Increase in accounts receivable	(4,643)
Decrease in accounts payable	(527)
Increase in salaries and benefits payable	6,018
Decrease in unearned revenue	(6,518)
Net cash used in operating activities	<u><u>\$ (229,485)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR  
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE  
SHEET:

Current assets:	
Cash and pooled investments	<u><u>\$ 71,706</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$22,091.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	Private Purpose Trust Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 207,141	130,558
Accounts receivable	0	6,776
	<u>207,141</u>	<u>137,334</u>
<b>Liabilities</b>		
Interfund payable	0	55,000
Accounts payable	0	55,494
Due to other groups	0	26,840
	<u>0</u>	<u>137,334</u>
<b>Net Assets</b>		
Reserved for scholarships	<u>\$ 207,141</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 20,135
Interest income	7,810
Total additions	<u>27,945</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>9,558</u>
Change in net assets before other financing uses	18,387
Other financing uses:	
Transfer out	<u>(11,151)</u>
Change in net assets	7,236
Net assets beginning of year	<u>199,905</u>
Net assets end of year	<u>\$ 207,141</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WINTERSET COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Winterset Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Winterset, Iowa, and the predominate agricultural territory in Madison County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Winterset Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Winterset Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Madison County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Special Revenue - Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement

grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years



Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which is paid in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction, support services and non-instruction functions exceeded the amounts budgeted. The District also exceeded the total budget.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 3,159,502</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit over one year are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name. Certificates of Deposit are stated at fair value.

At June 30, 2007, the District had investments in Certificates of Deposit over one year as follows:

	Fair Value
Certificates of Deposit	<u>\$ 164,382</u>

### (3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Student Activity	\$ 281
Special Revenue, Student Activity	General	340
General	Agency	<u>55,000</u>
		<u>\$ 55,621</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 371,550
Debt Service	Capital Projects	76,505
Special Revenue, Support Trust	Private Purpose Trust	<u>11,151</u>
Total		<u>\$ 459,206</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 318,535	0	0	318,535
Total capital assets not being depreciated	<u>318,535</u>	<u>0</u>	<u>0</u>	<u>318,535</u>
Capital assets being depreciated:				
Buildings	11,734,853	326,820	0	12,061,673
Land improvements	972,909	0	0	972,909
Machinery and equipment	2,013,593	376,380	125,681	2,264,292
Total capital assets being depreciated	<u>14,721,355</u>	<u>703,200</u>	<u>125,681</u>	<u>15,298,874</u>
Less accumulated depreciation for:				
Buildings	4,689,801	232,201	0	4,922,002
Land improvements	440,043	45,766	0	485,809
Machinery and equipment	1,759,348	137,840	125,681	1,771,507
Total accumulated depreciation	<u>6,889,192</u>	<u>415,807</u>	<u>125,681</u>	<u>7,179,318</u>
Total capital assets being depreciated, net	<u>7,832,163</u>	<u>287,393</u>	<u>0</u>	<u>8,119,556</u>
Governmental activities capital assets, net	<u>\$ 8,150,698</u>	<u>287,393</u>	<u>0</u>	<u>8,438,091</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 265,276	0	0	265,276
Less accumulated depreciation	233,500	5,287	0	238,787
Business-type activities capital assets, net	\$ 31,776	(5,287)	0	26,489

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 20,297
Other	3,709
Support services:	
Operation and maintenance of plant	8,615
Transportation	105,219
	<u>137,840</u>
Unallocated depreciation	<u>277,967</u>
Total governmental activities depreciation expense	<u>\$ 415,807</u>
Business-type activities:	
Food services	<u>\$ 5,287</u>

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,555,000	0	515,000	2,040,000	545,000
Capital loan notes	360,000	0	360,000	0	0
Early retirement	282,415	0	62,574	219,841	54,851
Total	<u>\$ 3,197,415</u>	<u>0</u>	<u>937,574</u>	<u>2,259,841</u>	<u>599,851</u>

#### General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 1998 Interest Rates	Principal	Interest	Total
2008	4.50 % \$	545,000	93,500	638,500
2009	4.60	530,000	68,975	598,975
2010	4.60	555,000	44,595	599,595
2011	4.65	410,000	19,065	429,065
Total		<u>\$ 2,040,000</u>	<u>226,135</u>	<u>2,266,135</u>

## Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five to sixty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's salary calculated by using the salary in effect the last year of the employee's employment with the school district. Early retirement benefits paid during the year ended June 30, 2007, totaled \$62,574 and were paid by the Special Revenue, Management Levy Fund. A liability has been recorded on the government-wide financial statements, Statement of Net Assets representing the District's commitment to fund non-current liabilities.

### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$546,183, \$517,302 and \$479,948 respectively, equal to the required contributions for each year.

### **(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$621,575.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded

programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the District's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Winterset Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$522,435 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the instruction, support services and non-instruction functions exceeded the amounts budgeted. The District also exceeded the total budget.

**(11) Administration Office Lease**

The District entered into a lease agreement to rent a building for the administration office. Per the terms of the lease agreement, the District has agreed to pay \$1,500 a month through May 31, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 7,317,709	388,210	7,705,919	7,334,755	7,334,755	371,164
Intermediate sources	18,010	0	18,010	0	0	18,010
State sources	8,160,837	8,279	8,169,116	8,127,672	8,127,672	41,444
Federal sources	310,585	241,633	552,218	695,000	695,000	(142,782)
Total revenues	15,807,141	638,122	16,445,263	16,157,427	16,157,427	287,836
Expenditures:						
Instruction	9,341,900	0	9,341,900	9,263,537	9,263,537	(78,363)
Support services	4,360,058	0	4,360,058	4,310,900	4,310,900	(49,158)
Non-instructional programs	8,796	638,204	647,000	600,000	637,000	(10,000)
Other expenditures	2,137,724	0	2,137,724	2,201,173	2,201,173	63,449
Total expenditures	15,848,478	638,204	16,486,682	16,375,610	16,412,610	(74,072)
Excess(deficiency) of revenues over(under) expenditures	(41,337)	(82)	(41,419)	(218,183)	(255,183)	213,764
Other financing sources, net	31,079	0	31,079	0	0	31,079
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(10,258)	(82)	(10,340)	(218,183)	(255,183)	244,843
Balance beginning of year	2,538,192	119,212	2,657,404	2,524,008	2,524,008	133,396
Balance end of year	\$ 2,527,934	119,130	2,647,064	2,305,825	2,268,825	378,239

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



WINTERSET COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District adopted one budget amendment during the year increasing expenditures by \$37,000.

During the year ended June 30, 2007, expenditures in the instruction, support services and non-instruction functions exceeded the amounts budgeted. The District also exceeded the total budget.

OTHER SUPPLEMENTARY INFORMATION

WINTERSET COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Nonmajor Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 48,533	167,974	11,375	227,882	186,801	414,683
Receivables:						
Property tax:						
Current year delinquent	5,398	0	0	5,398	10,081	15,479
Succeeding year	325,000	0	0	325,000	562,495	887,495
Interfund	0	340	0	340	0	340
Accounts	0	3,467	0	3,467	0	3,467
Due from other governments	13	0	0	13	21	34
<b>Total Assets</b>	<b>\$ 378,944</b>	<b>171,781</b>	<b>11,375</b>	<b>562,100</b>	<b>759,398</b>	<b>1,321,498</b>
<b>Liabilities and Fund Balance</b>						
Liabilities:						
Interfund payable	0	281	0	281	0	281
Accounts payable	0	6,788	0	6,788	0	6,788
Salary and benefits payable	200	0	0	200	0	200
Deferred revenue:						
Succeeding year property tax	\$ 325,000	0	0	325,000	562,495	887,495
	325,200	7,069	0	332,269	562,495	894,764
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	196,903	196,903
Unreserved	53,744	164,712	11,375	229,831	0	229,831
Total fund balances	53,744	164,712	11,375	229,831	196,903	426,734
<b>Total Liabilities and Fund Balance</b>	<b>\$ 378,944</b>	<b>171,781</b>	<b>11,375</b>	<b>562,100</b>	<b>759,398</b>	<b>1,321,498</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ 300,286	0	0	300,286	555,795	856,081
Other	19,625	301,281	224	321,130	11,684	332,814
State sources	193	0	0	193	337	530
Total revenues	320,104	301,281	224	621,609	567,816	1,189,425
Expenditures:						
Current:						
Instruction:						
Regular instruction	74,702	0	0	74,702	0	74,702
Special instruction	6,476	0	0	6,476	0	6,476
Other instruction	2,102	290,456	0	292,558	0	292,558
Support services:						
Student support	1,103	0	0	1,103	0	1,103
Instructional staff support	789	0	0	789	0	789
Administration services	8,522	0	0	8,522	0	8,522
Operation and maintenance of plant services	176,562	0	0	176,562	0	176,562
Student transportation	34,777	0	0	34,777	0	34,777
Non-instructional programs:						
Food service operations	8,796	0	0	8,796	0	8,796
Other:						
Long-term debt:						
Principal	0	0	0	0	875,000	875,000
Interest and fiscal charges	0	0	0	0	128,110	128,110
Total expenditures	313,829	290,456	0	604,285	1,003,110	1,607,395
Excess(deficiency) of revenues over(under) expenditures	6,275	10,825	224	17,324	(435,294)	(417,970)
Other financing sources:						
Transfer in	0	0	11,151	11,151	448,055	459,206
Net change in fund balances	6,275	10,825	11,375	28,475	12,761	41,236
Fund balance beginning of year	47,469	153,887	0	201,356	184,142	385,498
Fund balance end of year	\$ 53,744	164,712	11,375	229,831	196,903	426,734

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary School:				
Champs	\$ 2,577	161	675	2,063
PTO	26	0	0	26
Memory Book	2,344	2,596	4,411	529
	<u>4,947</u>	<u>2,757</u>	<u>5,086</u>	<u>2,618</u>
Middle School:				
Band Resale	(1,817)	3,000	3,887	(2,704)
5th and 6th Grade	0	631	193	438
Champs	2,092	3,709	444	5,357
Magazine Fund	33,610	38,779	43,666	28,723
Recorders	25	0	0	25
Honor Club	0	526	526	0
Tech Projects	224	0	0	224
Supply Hut	(31)	57	64	(38)
Band	140	1,366	1,200	306
Activity Tickets	12,402	4,134	82	16,454
Uniform	3,766	0	0	3,766
Cross Country	0	83	83	0
Boys Basketball	0	980	980	0
Football	0	1,408	1,546	(138)
Boys Track	706	1,023	930	799
Wrestling	0	242	242	0
Girls Basketball	0	1,169	1,169	0
Volleyball	0	1,422	1,422	0
Girls Track	175	1,284	1,459	0
Cheerleaders	1,235	0	0	1,235
Yearbook	2,185	1,956	4,141	0
Student Council	119	0	0	119
TSA	1,682	0	0	1,682
	<u>56,513</u>	<u>61,769</u>	<u>62,034</u>	<u>56,248</u>
High School:				
Activity Tickets	1,542	17,990	17,348	2,184
Interest	(538)	5,620	2,095	2,987
Band Resale	(961)	2,244	1,283	0
Champs	169	1,466	706	929
Concessions	1,302	9,536	8,480	2,358
Pop Machine	1,779	6,448	3,626	4,601
Play	2,025	3,244	4,675	594
Forensic	370	3,245	3,076	539
Vocal	0	11,182	8,567	2,615
Band	4,140	9,523	10,923	2,740
Color Guard	24	0	18	6
Uniforms	1,427	4,583	4,010	2,000

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
High School(Continued):				
Weightlifting	967	2,667	2,641	993
Coed Track	0	1,929	0	1,929
Cross Country	1,403	1,261	1,347	1,317
Boys Basketball	2,474	5,171	3,174	4,471
Football	11,402	18,593	18,306	11,689
Boys Soccer	2,065	8,042	7,292	2,815
Baseball	0	5,549	5,474	75
Boys Track	1,360	9,238	10,581	17
Golf	0	550	400	150
Wrestling	5,696	7,209	8,873	4,032
Girls Basketball	3,445	5,401	5,787	3,059
Volleyball	1,254	5,000	5,294	960
Girls Soccer	1,941	7,850	7,872	1,919
Softball	0	6,620	5,770	850
Girls Track	546	9,190	9,978	(242)
Cheerleaders	786	2,004	2,424	366
Girls Golf	94	531	505	120
Drill Team	6	7,480	6,880	606
Class of 2007	3,155	480	3,615	20
Class of 2008	2,972	5,008	4,650	3,330
Class of 2009	1,429	3,245	170	4,504
Class of 2010	500	600	76	1,024
Class of 2011	0	500	0	500
AFS	287	824	400	711
Boomerang	5,679	10,270	11,430	4,519
FBLA	117	6,187	6,304	0
FCCLA	3,335	0	0	3,335
MOC	559	426	390	595
Pep Club	2,926	9,554	6,080	6,400
Renaissance	538	0	250	288
SADD	134	0	0	134
Science Club	2,307	1,442	1,494	2,255
Student Council	5,895	2,160	2,447	5,608
TSA	247	1,151	1,398	0
WHS-TV	9,170	4,321	7,219	6,272
Y-Teen	4,374	157	754	3,777
FFA	3,289	7,412	6,153	4,548
Art Club	796	3,087	2,902	981
Spanish Club	0	565	199	366
	92,427	236,755	223,336	105,846
Total	\$ 153,887	301,281	290,456	164,712

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 36,598	159,660	65,700	130,558
Accounts receivable	7,874	6,776	7,874	6,776
	<u>\$ 44,472</u>	<u>166,436</u>	<u>73,574</u>	<u>137,334</u>
<b>Liabilities</b>				
Interfund payable	\$ 0	55,000	0	55,000
Accounts payable	1,292	55,494	1,292	55,494
Due from other groups	43,180	55,942	72,282	26,840
	<u>\$ 44,472</u>	<u>166,436</u>	<u>73,574</u>	<u>137,334</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WINTERSET COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	6,300,722	5,835,185	5,654,849	4,843,031
Tuition		520,618	485,156	386,039	435,217
Other		496,369	406,550	494,275	800,215
Intermediate sources		18,010	0	0	1,431
State sources		8,160,837	7,818,846	7,007,351	6,528,915
Federal sources		310,585	332,412	321,482	376,857
Total		\$ 15,807,141	14,878,149	13,863,996	12,985,666
Expenditures:					
Instruction:					
Regular instruction	\$	5,595,747	5,055,208	4,948,992	4,573,554
Special instruction		2,688,086	2,313,143	2,023,852	2,104,456
Other instruction		1,058,067	1,316,851	1,328,124	924,385
Support services:					
Student services		409,289	357,966	360,342	350,360
Instructional staff services		680,880	504,394	372,882	335,889
Administration services		1,195,341	1,110,165	1,069,181	1,055,372
Operation and maintenance of plant services		1,299,559	1,345,656	1,125,081	1,194,716
Transportation services		774,989	774,339	549,379	545,414
Non-instructional programs		8,796	11,651	9,236	8,089
Other expenditures:					
Facilities acquisitions		612,179	124,997	314,833	284,342
Long-term debt:					
Principal		875,000	830,000	805,000	1,187,000
Interest and other charges		128,110	160,313	190,797	235,961
AEA flow-through		522,435	488,789	445,626	432,742
Total		\$ 15,848,478	14,393,472	13,543,325	13,232,280

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 07	\$ 22,091
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	30,328
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	189,214
			<u>219,542</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	7056-G	<u>129,638</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 07	<u>9,494</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	<u>3,504</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES(TITLE V PROGRAM)	84.298	FY 07	<u>1,944</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	<u>55,908</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 07	<u>11,599</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 07	<u>84,775</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>13,723</u>
TOTAL			<u>\$ 552,218</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Winterset Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Winterset Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winterset Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winterset Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Winterset Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Winterset Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Winterset Community School District's financial statements that is more than inconsequential will not be prevented or detected by Winterset Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Winterset Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

#### Compliance and Other Matters

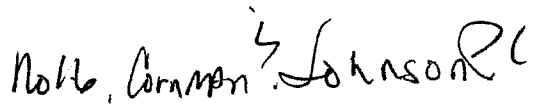
As part of obtaining reasonable assurance about whether Winterset Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Winterset Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winterset Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2008

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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Winterset Community School District:

Compliance

We have audited the compliance of Winterset Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Winterset Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Winterset Community School District's management. Our responsibility is to express an opinion on Winterset Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winterset Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winterset Community School District's compliance with those requirements.

In our opinion, Winterset Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Winterset Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winterset Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winterset Community School District's internal control over compliance.

Members American Institute & Iowa Society of Certified Public Accountants

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

Winterset Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Winterset Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winterset Community School District and other parties to whom Winterset Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2008

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Winterset Community School District did not qualify as a low-risk auditee.

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- II-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts within the Activity Fund were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- II-B-07 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - Checks which have been outstanding for over one year will be reported to the Great Iowa Treasure Hunt.

Conclusion - Response accepted.

- II-C-07 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation. Officials are being paid from a listing.

Recommendation - The copy of the contract made for each official should be used as the support for payment. The source documents should be preserved by the Board Secretary per Chapter 291.6 of the Code of Iowa. The District should review their procedures and implement necessary changes.

Response - We will include a copy of each official contract as support for payment.

Conclusion - Response accepted.

- II-D-07 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used

for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - We will ensure receipts are documented appropriately from sponsors.

Conclusion - Response accepted.

- II-E-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We will keep track of non-certified coaching staff hours.

Conclusion - Response accepted.

- II-F-07 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

It was also noted that there were Target donations receipted into the Activity Fund. These donations should be receipted into the General Fund.

Noted there were balances remaining in the interest accounts. The interest earned every year should be allocated out among the various accounts within the Student Activity fund.



Response - We have allocated out the interest during the current fiscal year. Future Target donations will be receipted into the General Fund.

Conclusion - Response accepted.

II-G-07 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families before writing the balances off of the books. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We will investigate negative balances and attempt collections. We will write off old balances, if necessary.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2007  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Agency Numbers: 6854-G  
Federal Award Year: 2007  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash disbursements and cash receipts were done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

WINTERSET COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-07 Certified Budget - District expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the instructional, support services and non-instructional functions.

Recommendation - The budget was amended in the non-instructional areas, however, it was still exceeded in the instructional, support services and non-instructional functions.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials were noted.

Name, Title and Business Connection	Transaction Description	Amount
Mary Ann Orr, HS Secretary Daughter owns Outback Embroidery	Supplies	\$333

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the secretary spouses does not appear to represent a conflict of interest.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains

cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - We are currently receiving the fronts and backs of the checks.

Conclusion - Response accepted.

IV-K-07 Financial Condition - The District had 4 negative accounts within the Student Activity Fund totaling \$3,122.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should continue to monitor this fund and investigate alternatives to eliminate the deficits.

Response - We will work on these deficits.

Conclusion - Response accepted.